TAX INCREMENT FINANCING (TIF) STUDY COMMISSION

DATE: April 5, 2012

CALLED TO ORDER: 7:00 p.m.

ADJOURNED: 9:55 p.m.

ATTENDANCE

ATTENDING MEMBERS	ABSENT MEMBERS
Steve Talley, Chairman	
Richard Hunter, proxy for Billie Breaux	
Deron Kintner	
William Crawford	
Brian Mahern	
Ed Mahern	
Jeff Spalding	
Ryan Vaughn	

AGENDA

Marion County Tax Increment Financing (TIF) Districts Overview
History of Tax Increment Financing in Marion County

TIF District Maps & Types
Financial Aspects of Tax Increment Financing

TAX INCREMENT FINANCING (TIF) STUDY COMMISSION

The Tax Increment Financing (TIF) Study Commission met on Thursday, April 5, 2012. Chairman Steve Talley called the meeting to order at 7:04 p.m. with the following members present: William Crawford, Richard Hunter, (proxy for Billie Breaux), Deron Kintner, Brian Mahern, Ed Mahern, Ryan Vaughn and Jeff Spalding.

Chair Talley asked the Commission members to introduce themselves and indicate which office or position they represent.

Jeff Spalding, City Controller, Office of Finance and Management (OFM), read through an overview of TIF Concepts, which is attached as Exhibit A. Some key points are:

- Define as a base assessed value (AV) at the time the TIF district was created
- As the AV grows from new investment, the AV is captured as Incremental AV
- Incremental real property tax belongs to TIF authority to pay project costs
- Any debt associated with the project is paid off
- Total AV now belongs to all taxing districts in project area

William Crawford, State Representative, said that he is still concerned that if there is no base, then all of the incremental revenue goes to pay off the bonds.

<u>Marion County TIF Districts Overview</u> - Michael Peoni, Director, Department of Metropolitan Development

- TIF Process in Marion County
  - Meet with initiating party to have clear understanding of project
  - Create a rough outline of the preliminary boundary for project area
  - Conduct land use inventory
  - Identify vacant parcels and buildings
  - Identify brownfields
  - Map existing zonings, variances and building permits in the area
  - Work with Indianapolis Bond Bank to access financial feasibility
  - Create redevelopment or economic development area plan
  - Conduct public disclosure
  - Manage projects and construction
  - Manage project finances
  - Dissolve tax increment district

Rep. Crawford asked if there has been any precedence where once a TIF has been established, it was renewed before termination. Mr. Peoni said that he is not aware of that. Rep. Crawford asked if it was possible for a TIF district to be renewed and not terminated. Mr. Peoni said not without going through the process again.

Richard Hunter, Settlements Director, Marion County Auditor, said that in the first step of identifying economic benefits, what types and levels they are looking at. Deron Kintner, Director, Indianapolis Bond Bank, stated that from the Bond Bank's perspective, the benefit is always the city, whether it is financial, economical jobs or other tangible or intangible benefits.

Ed Mahern, Metropolitan Development Commission Chair, said that there are some dormant TIFs, and asked what the rationale is for having those continue. Mr. Kintner said that the rationae is that the exact same benefits will be achieved by passing it through, but the flexibility will be retained if there is an important project to be developed there. Mr. Mahern asked if the dormant TIF was to continue, if a developer could come back with a project and not go through the whole process again. Mr. Kintner stated that the developer has to go through the approval process but not the time and cost to create a brand new TIF district. Mr. Mahern asked if there is an expiration date in the consolidated TIF. Mr. Peoni said for that dormant TIF, one was not required. Mr. Kintner said that a few TIFs have "grandfather" status.

City-County Councillor Brian Mahern said that there needs to be an affirmative determination made by July 15th of each year of the need for TIF funds. He asked if that is for just debt service or other projects. Mr. Kintner said that it is certainly the repayment and protection of debt and any other projects that the intent is to spend the money on.

- History of Tax Increment Financing: Drew Klacik, IUPUI (Exhibit B)
    - History of TIF Nationally
        - First TIF district started in California in 1952
        - Five states prior to 1970
        - Thirty-six states and DC between 1970 and 1989
        - Eight states enabled TIF since 1990
        - Only Arizona does not enable
    - History of TIF in Indiana
        - Enabling legislation passed in 1975
        - First TIF districts mid-80s
            - South Bend, Fort Wayne and Indianapolis
        - In 1989 – TIF in 12 counties
        - In 2002 - 58 counties
        - Initially all were Redevelopment Agency (RDA)
        - 1989 Economic Development Administration (EDA) enabling legislation passed
            - EDA increasingly more common
                - Between 1993 and 1995, EDA designation outnumbered RDA 3 to 1
                - By 2002 - 54 RDA and 47 EDA

        - Not uncommon – 45% of Wisconsin TIFs are EDA
    - Key Point
        - EDA undermines TIF's usefulness as a redevelopment tool
    - Of those that responded to 2002 survey
    - Over 100 TIFs in Indiana by 2002
    - Seven point one percent of Iowa's urban tax base is in increment
    - In 2002, 1.9% of AV in Indiana counties with TIF was incremental
    - Real Property most common
        - In 1995-67 real and 18 used both real and personal
        - Of 17 districts created between 1995 and 2002
            - Thirteen real only and 4 used both
    - Change in assessment method
    - Schools shifted to state
    - Property tax caps
- History of TIF Literature
    - Originated in CA as method to generate matching funds for Federal Grants
        - Evolved into source of revenue to replace federal funds
    - Mostly used for infrastructure
        - Type of project varies
    - Most states capture all revenue
    - Politically feasible
    - Typically doesn't count against debt
    - Link between infrastructure and economic growth
    - Market-based review – if lenders do not believe in project they will not make loan
    - Risk
        - Disaster
        - Failure to achieve full build out/AV projections
        - Changes in tax environment
        - Market based AV
    - Capitalized interest
    - Taxpayer equity
    - Requiring excess increment to be passed back to taxing units
    - Limit acreage
    - Require developer guarantees
    - Would the private investment occur without the incentive (infrastructure)
    - Balance need to support redevelopment with infrastructure investment options
    - How to determine size / AV limits
    - Equity issues:
        - Who pays and who benefits
        - Existing companies / new companies

        - Tax abatement and other economic development tools
        - Can reporting requirements/monitoring be improved?
        - Are there particular uses that are more effective/appropriate than others?
        - What other options are available?
- TIF District Maps and Types – Deron Kintner (Exhibit C)
    - Twenty-five excluded cities
    - Eleven active TIFs
    - Redevelopment Area TIFs outweigh Economic Development area TIFs
    - Downtown TIF was created in the mid-80s
    - Airport TIF
        - used to pay the debt on the United Airlines Maintenance Facility
        - County Option Income Tax (COIT) was pledged to the Airport TIF
    - Housing TIFs can be risky and can take away from the base
    - Inactive / Dormant TIFs
        - There are three, and a fourth will be added
        - Created in 2006
- Financial Aspects of TIF – Jason O'Neill, Policy Analytics, LLC (Exhibit D)
    - Assessed Value Analysis
        - In 2012, there are $39 billion of net AV in the TIF increment
        - Three point three billion dollars of net AV in the base
        - In 2006, four dormant TIFs were deactivated
        - In 2008-2009, jump in AV was due to the new Supplemental Homestead Deduction
        - Additional TIF Pass-throughs above the dormant TIFs
    - TIF Neutralization
        - Required annually by the Department of Local Government Finance (DLGF)
        - Adjust base AV for market value trends
        - Maintain at least as much incremental revenue
        - Basis for initial debt service coverage
    - Causes of Base AV Depletion
        - Elimination of levies and tax rates due to state assuming school general and county welfare levies
        - Economic downturn
        - Protection for property tax appeals
    - Property Tax Analysis
        - In 2012, property taxes in Marion County are $933.5 million
        - Eighty-nine percent of total is property tax revenue to units
        - Eleven percent of total is TIF increment revenue
        - TIF Pass-Through Decisions
        - Circuit Breaker was enacted in 2008

- Impact of Circuit Breaker Credit – Jeff Spalding
  - Pre-Circuit Breaker
    - Taxing unit property tax revenue determine by levy control
    - Revenue growth is virtually guaranteed
    - TIF activity does not largely impact property tax revenue for other taxing units
  - Post-Circuit Breaker
    - Taxing unit property tax revenue determined by rate controls
    - Homesteads limited at 1%, other residential at 2%, all other property at 3%
    - TIF activity can have negative revenue implications through higher circuit breaker losses
  - Allocation of AV growth between the base and increment
    - Total AV growth for non-TIF districts is zero
    - Total AV growth for inside TIF districts is strong
- Outstanding TIF Debt and Coverage
- Accounting and Reporting Practices and Requirements – Angie Steeno, Crowe Horwath, LLP
  - Tax Impact Analysis
    - Required by IC 36-7-14-17
    - Estimated economic benefits and costs
    - Anticipated impact on tax revenues of each taxing units
    - Rate Control Funds require reporting
    - Levy control Funds do not require reporting
  - Reporting of Potential Base Value
    - Assumption: $100 million in new investment
      - Potential revenue for rate-controlled funds
      - Potential circuit breaker relief for taxing units

Councillor Mahern stated that the advantages of using TIFs in redevelopment areas is that there is a lower risk of capturing some of the growth in the base AV. He said when a TIF area is established, it is not just capturing increment there, but some of the inertia of the trajectory of AV prior to the TIF. Mr. Klacik said that the TIF district has the potential to capture everything that is not in the base. He said it does not matter if it is economic or redevelopment area, and anything new within the TIF district is then incremental AV.

Councillor Mahern said there were some changes legislatively with the treatment of personal property in the downtown TIF to prevent a negative situation and allow for the capture of business personal property. He asked if Mr. Klacik can elaborate on that. Mr. Klacik said that he does not have any information regarding that.

Councillor Mahern asked if Mr. Klacik can elaborate on the politically feasible issue, whether there is less public input or influence compared to general obligation bonds. He said if there are general obligation bonds successfully passed, it is because the public supports it. Mr. Klacik said that it is hard to talk about more or less public scrutiny in a general obligation bond than there is in a TIF issue. He said the legislature has changed the way referendums are done based on certain debt limits, and he is not sure if TIF districts now face the same scrutiny as any other form of debt. Mr. Kintner said that it is due to the projects that are confined to a specific area. Mr. Spalding said that with the general obligation bonds, there is going to be a tax increase associated with that; whereas with TIF financing, a mechanism is being carved out within the existing taxing structure.

Councillor Mahern asked if general obligation bonds are backed by property taxes, if there is a more secure way to borrow money other than property taxes. Mr. Klacik said that general obligation bonds tend to be the most secure way to borrow money.

Mr. Mahern said that if lenders do not believe in the project, the loan will not be made. He asked if these were primarily bonds. Mr. Klacik said that most TIF districts incur debt, but there are a few in Indiana that do "pay as you go." In this case, there is not a loan. There are few communities in Indiana that have established TIF districts and will collect the revenue to determine how much sidewalk can be built, sewers repaired or other public infrastructure.

City-County Councillor Ryan Vaughn asked if there are some states that are more flexible with the use of TIF dollars than others or are they about the same. Mr. Klacik said that he is not sure, but it is not likely that all states will be the same. Councillor Vaughn asked that in a property tax capped world, what the difference is between the AV flowing back to the base versus the revenue flowing back. Mr. Klacik said that the incremental AV is capped at one, two or three percent depending on what it is. When it is exempt from the other taxing units, it is generating nothing for them even if it is capped at one percent.

Councillor Mahern asked if it is risky to capture some of the inertia in areas that have high growth in AV. Mr. Klacik said yes, if the market is doing well and there is a lot of new investment occurring without TIF, then there are risks. It is possible to argue that the investment in TIF accelerates the amount of money the market will invest in that area, then a win-win may occur.

Mr. Mahern asked if Mr. Klacik knew of any other cities in Indiana that report annually to the Council the status of the TIFs. Mr. Klacik said that he does not know.

Mr. Hunter said that the Avondale TIF that is being used as an expansion and was created some time ago but was never acted on. He asked why it was not acted on.
Mr. Kintner said that he does not know.

Councillor Mahern asked if the reduction of AV was picked up by the increment. Mr. O'Neill stated that most of that was born by the base.

Councillor Mahern asked what the sharing of the property tax loss is between the base and the increment. Mr. O'Neill said that he does not have those figures. Councillor Mahern asked if there are revenues not collected but anticipated in the levy because of the property taxes to figure out who will receive the collection. Mr. O'Neill said that loss is prorated on a parcel-by-parcel basis, based on the amount of increment versus base.

Councillor Mahern asked if a taxing unit has a rate above one-percent, if those units start experiencing losses on the Homestead Credit. Mr. Spalding said that a higher tax rate is necessary to result in the tax bill being one-percent of the AV. Councillor Mahern asked if there would not be a substantial reduction of revenue after passing all of the AV through before the TIFs expire. Mr. Spalding said that because of the levy controlled funds as the AV is passed through, if the property taxpayers current liability is under the tax cap, their tax rate goes down. Councillor Mahern said that there is an implication that it is better to leave the funds in the TIF because it collects more funds if it is passed through. Mr. Spalding said that it is not an implication, but certainly something to be drawn from. Councillor Vaughn said that from a dollars perspective, it would make more sense to be less restrictive on how TIF is spent to allow more permitted uses for TIF dollars because there is actually more dollars available for other projects than to release the AV down and eliminate the revenue. Mr. Spalding said that if the eligible uses for TIF was expanded and the rest of the mechanism kept the same, there would be a little more ability to support investment.

Mr. Hunter said that passing through the AV and the units were enriched, it is better than them not being enriched at all. Mr. Kintner said that being involved with every TIF analysis over the last couple of years; the City has never once looked at it as there is more value to keeping it in the increment than releasing it to the base.

Councillor Mahern asked if under the current system, increased expenditures, funds and TIFs are appropriated by appointed officials, and if the Council does not serve any role in appropriating those dollars. Councillor Vaughn said that legislatively, Indiana Code dictates what TIF dollars can be used for, and the only person on this Commission that can expand the uses under Indiana Law is Representative Crawford.

Mr. Hunter said that with the circuit breaker impact, the results of the $2 million revenue that is going to the different units, the missing piece is that the units will have some benefits from it, as well as the tax payers because it will lower their tax rate.

Councillor Mahern said they are often told to hang on, help is on the way. He asked Mr. Spalding if that is true in this case. Mr. Spalding said that first it is the notion of managing the TIF over time, and the fiscal tools and options available to municipal government are limited and defined by State Law more than local ordinances. He said that tools are always looked for to improve the community and quality of life.

Councillor Mahern asked if the City should update the way they look at reporting practices. Ms. Steeno said that it could be important for the City, but by Statute, it is only required to provide on-rate controlled funds.

Rep. Crawford asked what has been Ms. Steeno's experience in notifying the various taxing units and the Indianapolis Public Schools (IPS) system. Ms. Steeno said that they send the report to each of the fiscal officers of those taxing units. She said that those individuals will be able to see all of the impact for each unit, and she has not had any questions directed to her about the report. Ms. Steeno said the public hearing is the school system's opportunity to come and voice their concerns.

Mr. Mahern asked how long Crowe Horwath has been providing their service to the City. Ms. Steeno said that it has been over the last four years. Mr. Mahern asked within the last four years, if there has been much TIF expansion. Ms. Steeno said that there have been some projects to which they have had to send impact statements out. Mr. Mahern asked if Ms. Steeno has the information on the expanded TIFs. Ms. Steeno answered in the affirmative, stating that if those were to be approved, calculating the impact would be the next step.

Public Testimony

Leif Hinterberder, citizen, stated that with regards to the TIF Study Commission and implementation of the TIF areas previously proposed by the City, that on February 13, 2012, the Council indicated that the TIF Commission was not intending to delay implementation of TIF areas, and then at the last TIF meeting, it was told that they were going to delay and postpone TIF projects until the TIF Commission has completed its work. He asked who is asking for the delay. Chair Talley stated that there were two TIF proposals that were before the Metropolitan Economic Development Committee of the City-County Council, and to his knowledge, the committee has tabled only those proposals. Mr. Mahern said that there is no effort to stop projects, but efforts to slow things down until the Study Commission has put information together.

Pat Andrews, citizen, applauded the efforts of the TIF Commission, but asked them not to forget the taxpayers because they have a vital role to move this City forward.

Greg Taylor, Senator, stated that Indiana Code requires that the public be notified before there is an expenditure of funds. He said that it is disturbing that these districts are created and not utilized for their function. It is better to create and use them rather than to create them and hope for something to come.

Jean Breaux, Senator, stated that she heard that there is not a requirement when there is excess AV that is passed back to the taxing unit. She asked if the excess can be used for other guidelines that indicate how excess funds can be used. Mr. Kintner said that there is a recent statute that requires excess AV to be passed through to the base. He said that excess is anything not needed to make payments, to protect debt or for other projects. Senator Breaux asked if there is a requirement that excess is passed back through the base. Mr. Kintner answered in the affirmative.

Joe Griffin, citizen, asked what powers the Commission will have after the study is done. Councillor Mahern said that the Commission's power is to study and make recommendations and those recommendations might be things like changing the State law, encouraging policy changes by the Mayor or MDC, or proposing ordinances considered by the Council. Councillor Mahern said that there will be ideas to be implemented.

Rep. Crawford requested that a note be sent to all of the taxing units that are impacted by property tax distribution to have them come and give their input.

There being no further business, and upon motion duly made, the meeting was adjourned at 9:55 p.m.

Respectfully Submitted,

Steve Talley, Chairman

ST/lw

Exhibit A

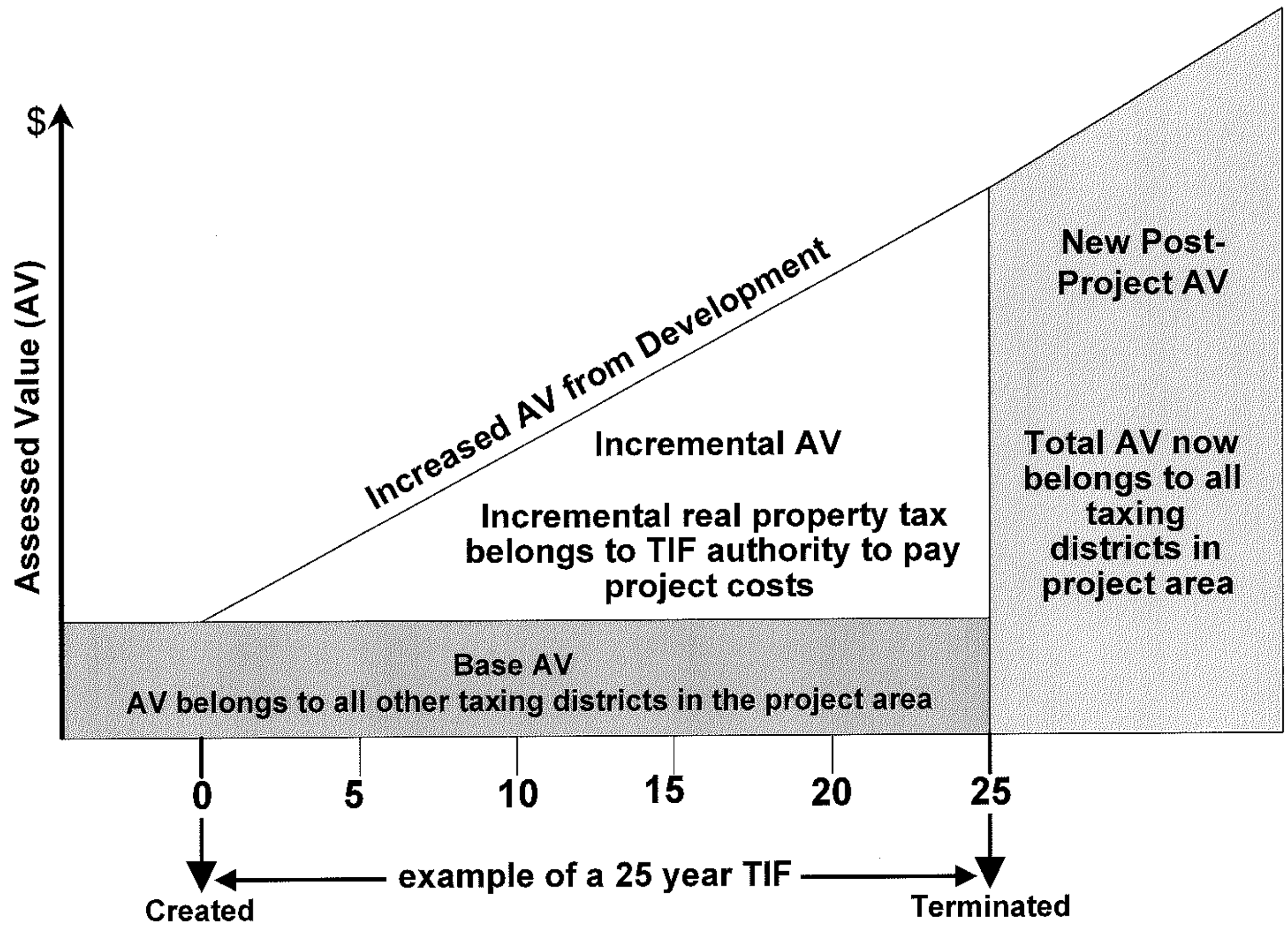
Dept. of Metropolitan Development
Indianapolis
Mayor Gregory A. Ballard

TIF Concepts Recap

Jeff Spalding, *Controller*
Michael Peoni, *DMD*

Dept. of Metropolitan Development
Indianapolis
Mayor Gregory A. Ballard

TIF Assessed Value (AV) Over Project Life



Dept. of Metropolitan Development
Indianapolis
Mayor Gregory A. Ballard

The TIF Process in Marion County

INITIATION → FORMULATION → ADOPTION → IMPLEMENTATION → TERMINATION

INITIATION

DETERMINE PROJECT FEASIBILITY
- Need
- Relationship to/ impact on the Marion County Comprehensive Plan
- Economic benefits
- Financial feasibility
- Area eligibility
- Public-private partnerships
- "But For" Test

FORMULATION

CREATE REDEVELOPMENT OR ECONOMIC DEVELOPMENT AREA PLAN
- Determine geographic boundaries
- For redevelopment area - finding of deteriorated improvements, age, obsolescence, etc.
- For economic development area - finding of significant economic benefit
- Estimate project timeline and project costs
- Identify base assessed value, revenue increment, and debt financing policies
- Include special features
- Establish project objectives and expiration date

ADOPTION

CONDUCT PUBLIC DISCLOSURE
- Public forums
- Involve affected areas

TIF AREA APPROVAL
- MDC Declaratory Resolution
- Council Committee Hearing
- Council Resolution
- Notice of MDC Public Hearing and delivery of Tax Impact Statement
- MDC Public Hearing and Confirmatory Resolution
- Filings with Auditor and DLGF regarding allocation area creation

PROJECT/ FINANCING APPROVAL
- Draft public-private sector agreements
- MDC Resolution pledging TIF
- If bonding to be issued, approvals by MDC and Council

IMPLEMENTATION

MANAGE PROJECTS/ CONSTRUCTION
- Obtain land
- Prepare site
- Construction
- Post-construction management

MANAGE PROJECT FINANCES
- Issue debt instruments
- Authorize receipt and distribution of tax increments
- Generate tax increment to meet debt service payments (also prior to each July 15, identify amount of TIF needed in following year's budget)

TERMINATION

DISSOLVE TAX INCREMENT DISTRICT
- Total assessed value - base and increment - now belongs to underlying taxing units

Exhibit B

Dept. of Metropolitan Development
Indianapolis
Mayor Gregory A. Ballard

Marion County TIF Districts – Overview: History of Tax Increment Financing

Drew Klacik, *IUPUI*

History of TIF Nationally

- CA in 1952
- 5 states prior to 1970
- 36 states and DC between 70 and 89
  - Decline in UDAGs . IRB etc
- 8 since 1990
- Only AZ doesn’t enable

History of TIF in Indiana

- Enabling legislation passed in 1975
- First TIF districts mid 80s
  - South Bend, Fort Wayne and Indianapolis
- In 1989 – TIF in 12 counties
- In 2002 58 counties

History of TIF in Indiana

- Initially all were RDA
- 1989 EDA enabling legislation passed
  - EDA increasingly more common
    - Between 1993 and 1995 EDA designation outnumbered RDA 3 to 1
    - By 2002 54 RDA and 47 EDA
  - Not uncommon– 45% of WI TIFs are EDA
- Key point
  - EDA undermines TIF's usefulness as a redevelopment tool

History of TIF in Indiana

- Of those that responded to 2002 survey
  - Largest in Anderson 4,770 acres
  - Smallest in Anderson 5.5 acres
- Over 100 TIFs in Indiana by 2002
  - 789 in WI
  - 2,400 in Iowa
  - 402 in Cook County, IL
- 7.1% of Iowa's urban tax base is in increment
- In 2002 1.9% of AV in Indiana counties with TIF was incremental

History of TIF in Indiana

- Real property most common
  - In 1995 67 real and 18 used both real and personal
  - Of 17 districts created between 1995 and 2002
    - 13 real only and 4 used both

Other Key Events in Indiana

- Change in assessment method
- Schools shifted to state
- Property tax caps

History of TIF Literature

- Originated in CA as method to generate matching funds for Federal grants
  - Evolved into source of revenue to replace Federal funds
- Mostly used for infrastructure
  - Type of project varies
    - Industrial, commercial, residential, retail, and amenities
- Most states capture all revenue
  - Some exclude schools

Literature: Strengths of TIF

- Politically feasible
- Typically doesn't count against debt limits
- Link between infrastructure and economic growth
- Market based review – if lenders don't believe in project they won't make the loan

Literature: Weaknesses of TIF

- Risk
  - Disaster
  - Failure to achieve full build out / AV projections
  - Changes in tax environment
  - Market based AV
- Capitalized interest
- Taxpayer equity

Literature: Innovations

- Requiring excess increment to be passed back to taxing units
- Limit acreage
- Require developer guarantees
- TIF term limits (WI 20 years)
- TIF AV limits (WI no more than 5% of municipalities gross AV)

Literature: Issues

- Would the private investment occur without the incentive (infrastructure)
- Balance need to support redevelopment with infrastructure investment options
- How to determine size / AV limits
- Equity issues:
  - who pays and who benefits
  - Existing companies / new companies
- Tax abatement and other economic development tools

Literature: Issues

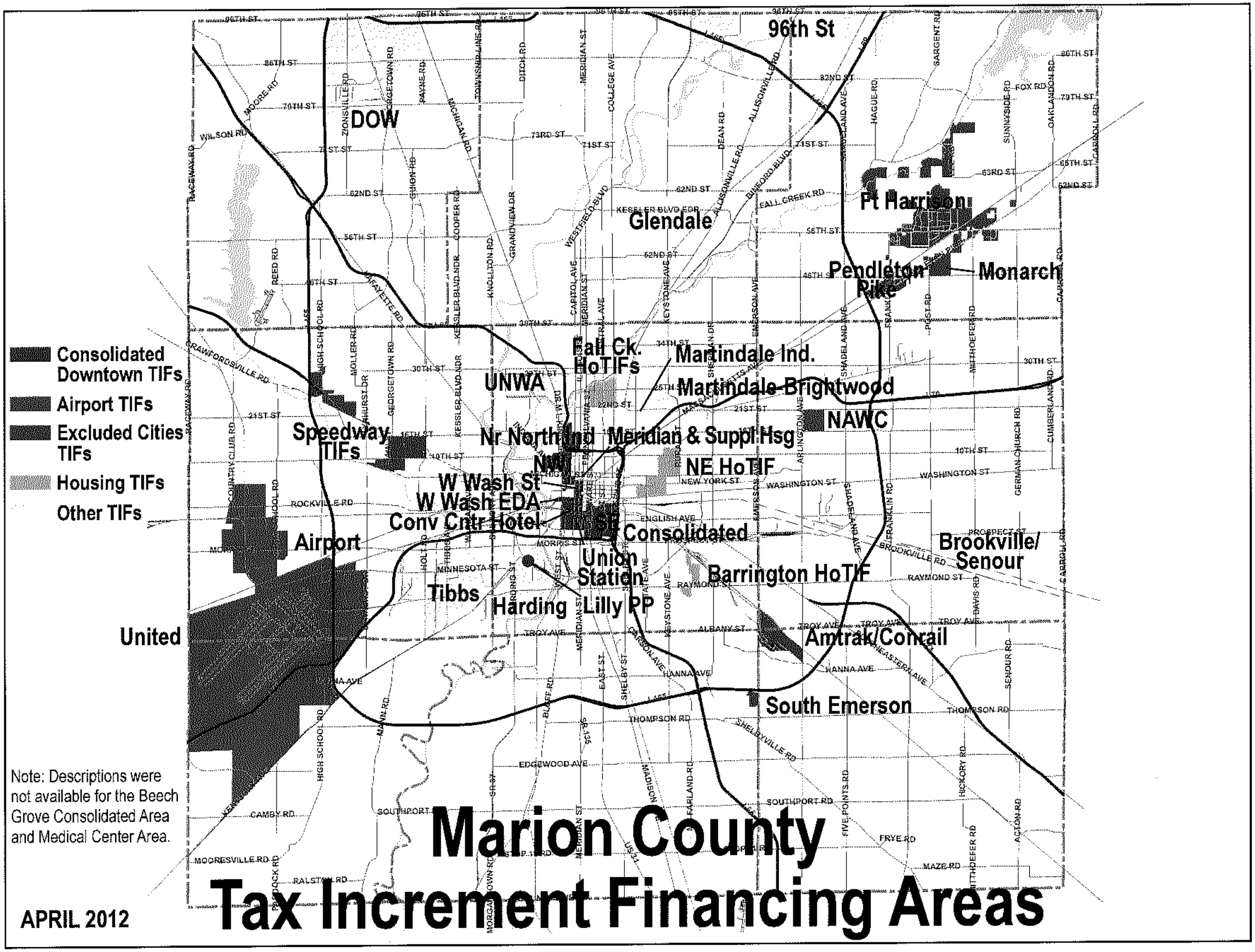
- Can reporting requirements / monitoring be improved
- Are there particular uses that are more effective/appropriate than others?
- What other options are available

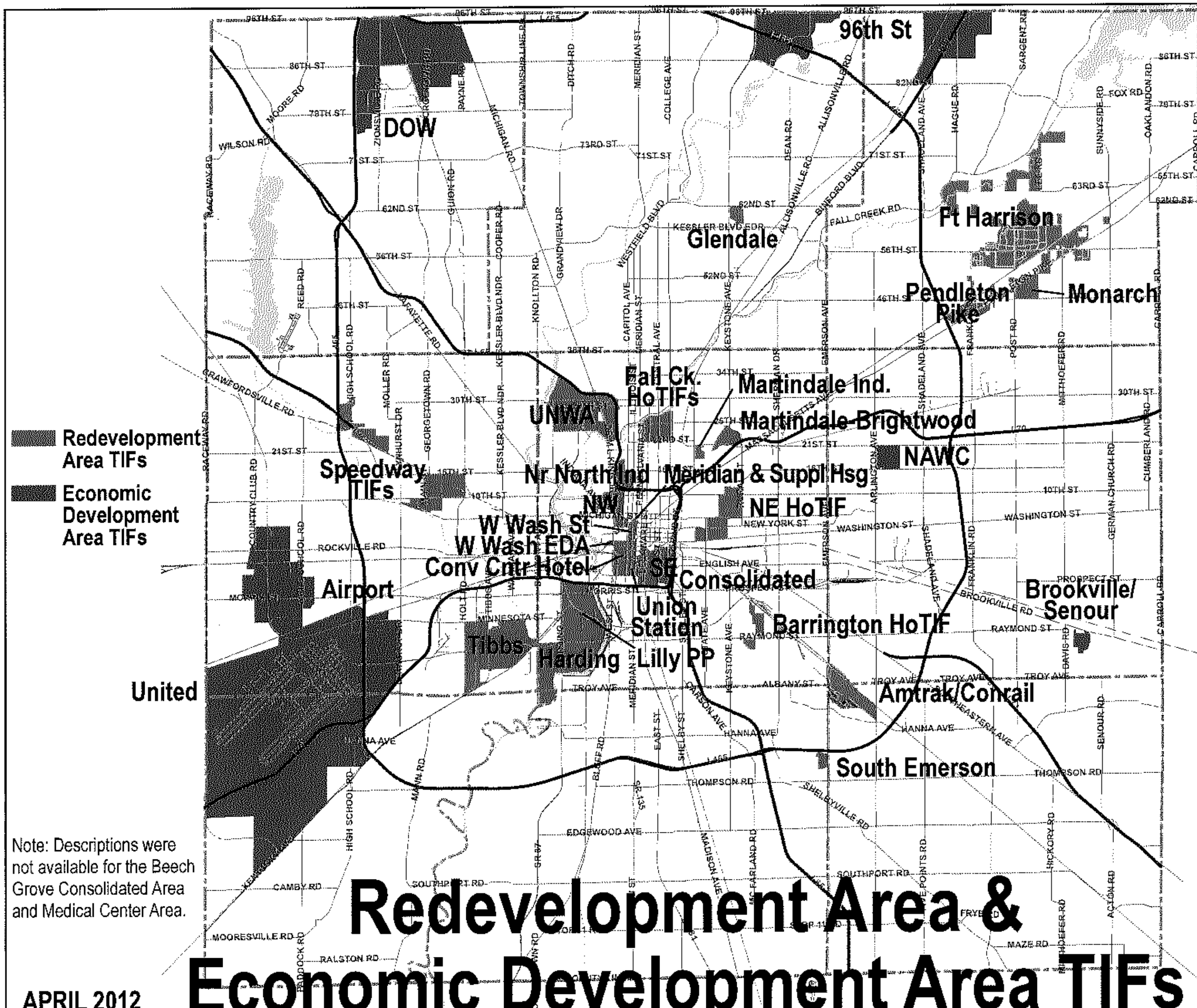
Exhibit C

Dept. of Metropolitan Development
Indianapolis
Mayor Gregory A. Ballard

Marion County TIF Districts – Overview: TIF District Maps and Types

Deron Kintner, *Indianapolis Bond Bank*

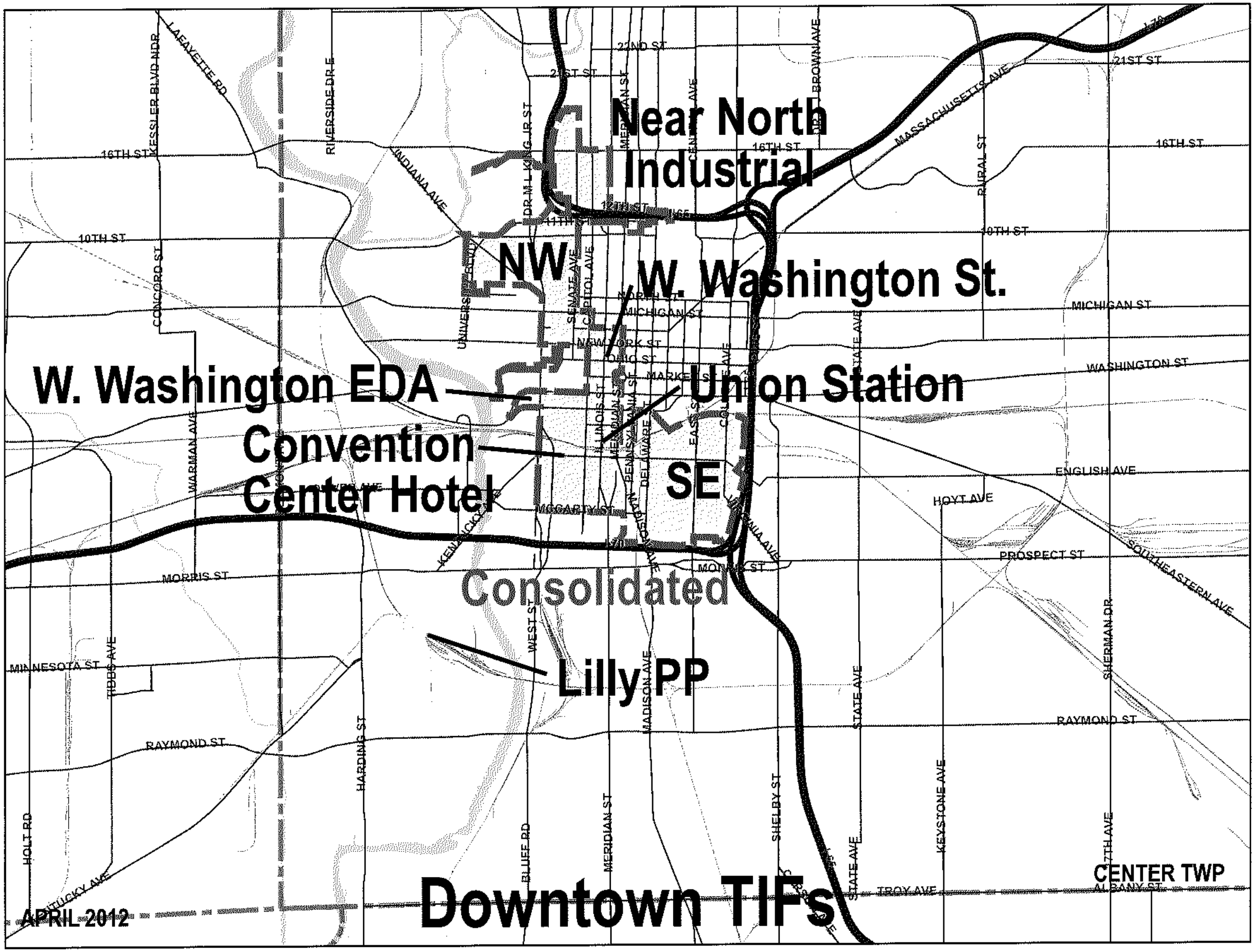

Marion County
Tax Increment Financing Areas
Consolidated Downtown TIFs
Airport TIFs
Excluded Cities TIFs
Housing TIFs
Other TIFs
Note: Descriptions were not available for the Beech Grove Consolidated Area and Medical Center Area.
APRIL 2012
96th St
DOW
Glendale
Ft Harrison
Pendleton Pike
Monarch
Fall Ck. HoTIFs
Martindale Ind.
Martindale-Brightwood
UNWA
NAWC
Speedway TIFs
Nr North Ind
Meridian & Suppl Hsg
NW
NE HoTIF
W Wash St
W Wash EDA
Conv Cntr Hotel
SE
Consolidated
Airport
Union Station
Brookville/ Senour
Barrington HoTIF
Tibbs
Harding
Lilly PP
United
Amtrak/Conrail
South Emerson

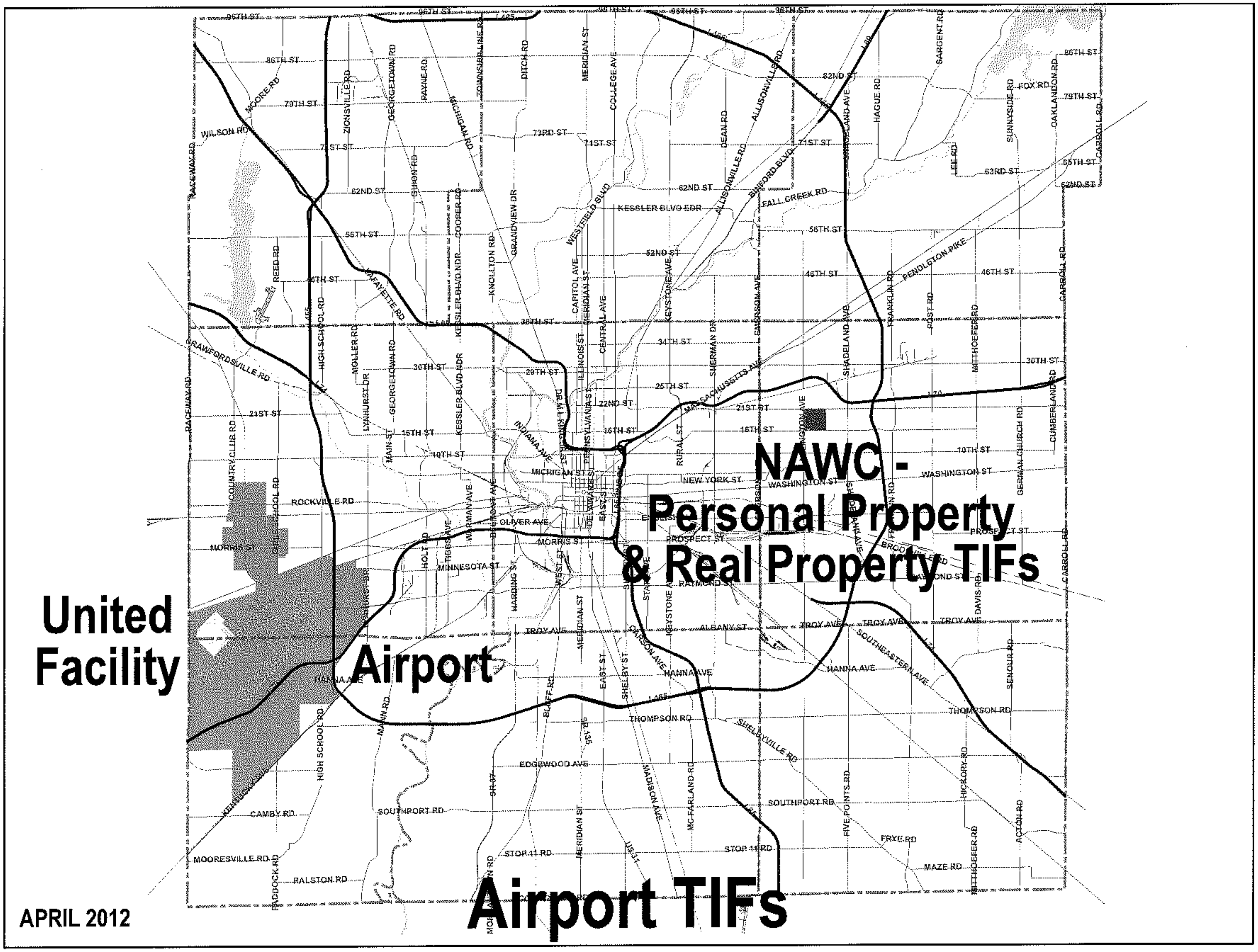


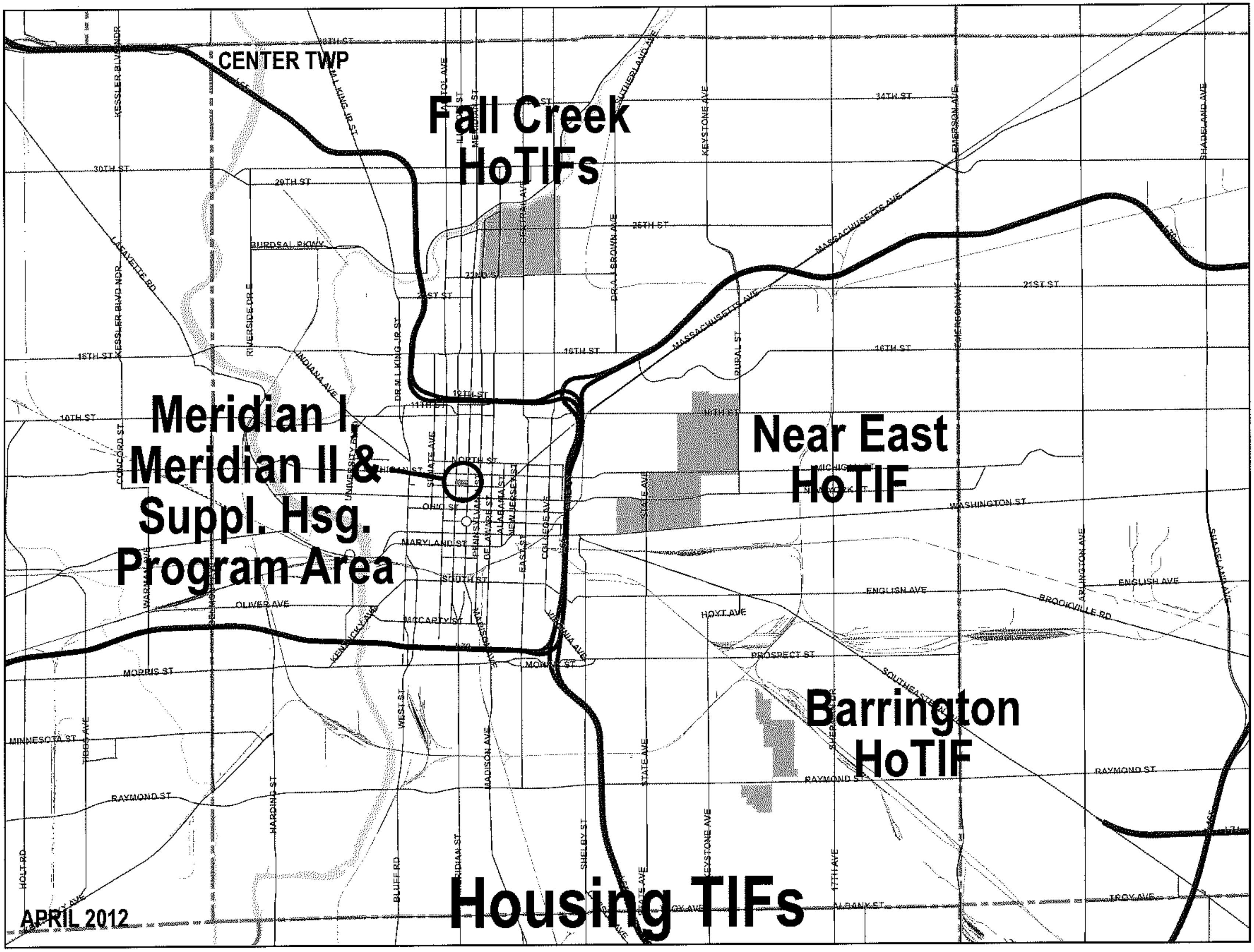
Note: Descriptions were not available for the Beech Grove Consolidated Area and Medical Center Area.

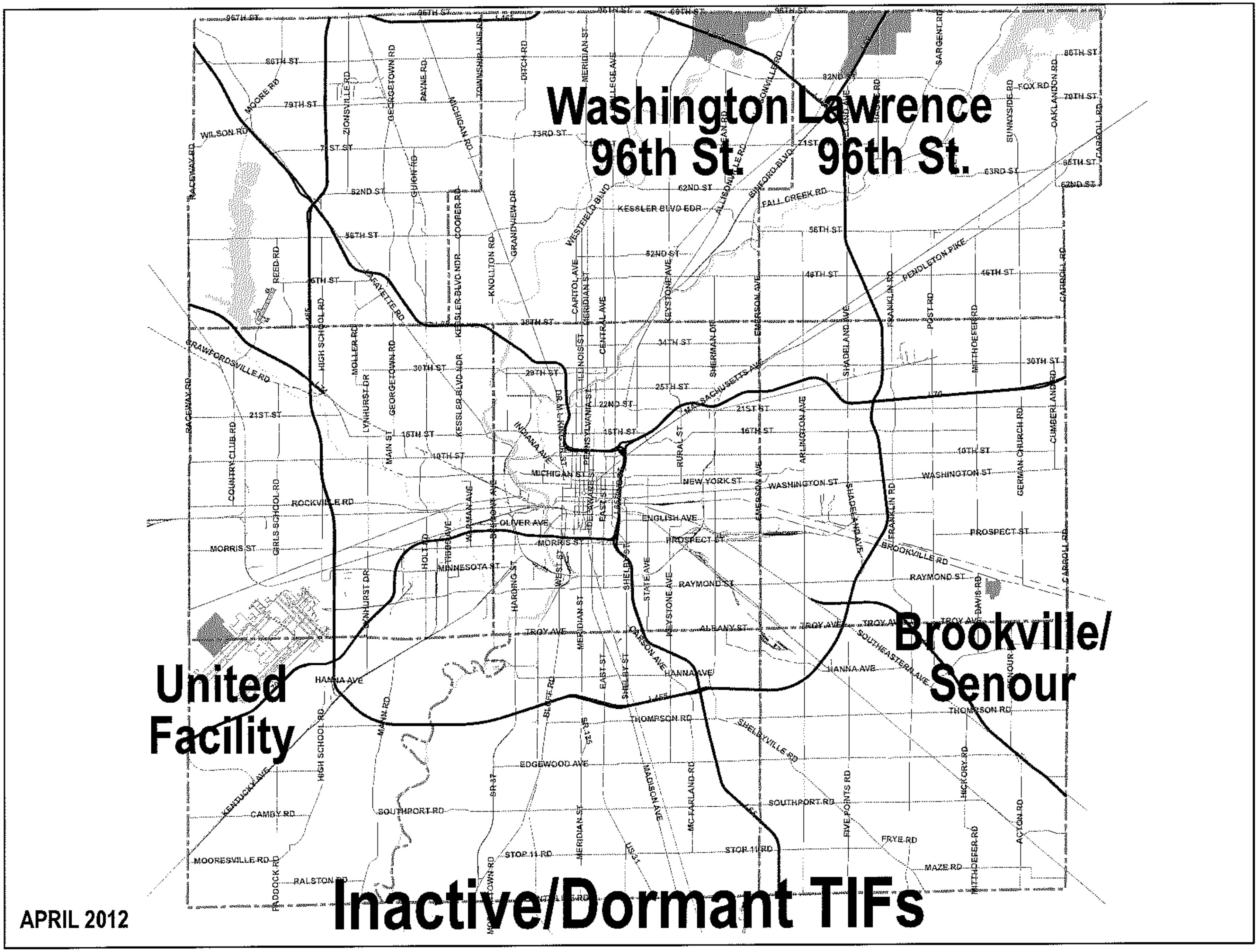
Redevelopment Area & Economic Development Area TIFs

APRIL 2012

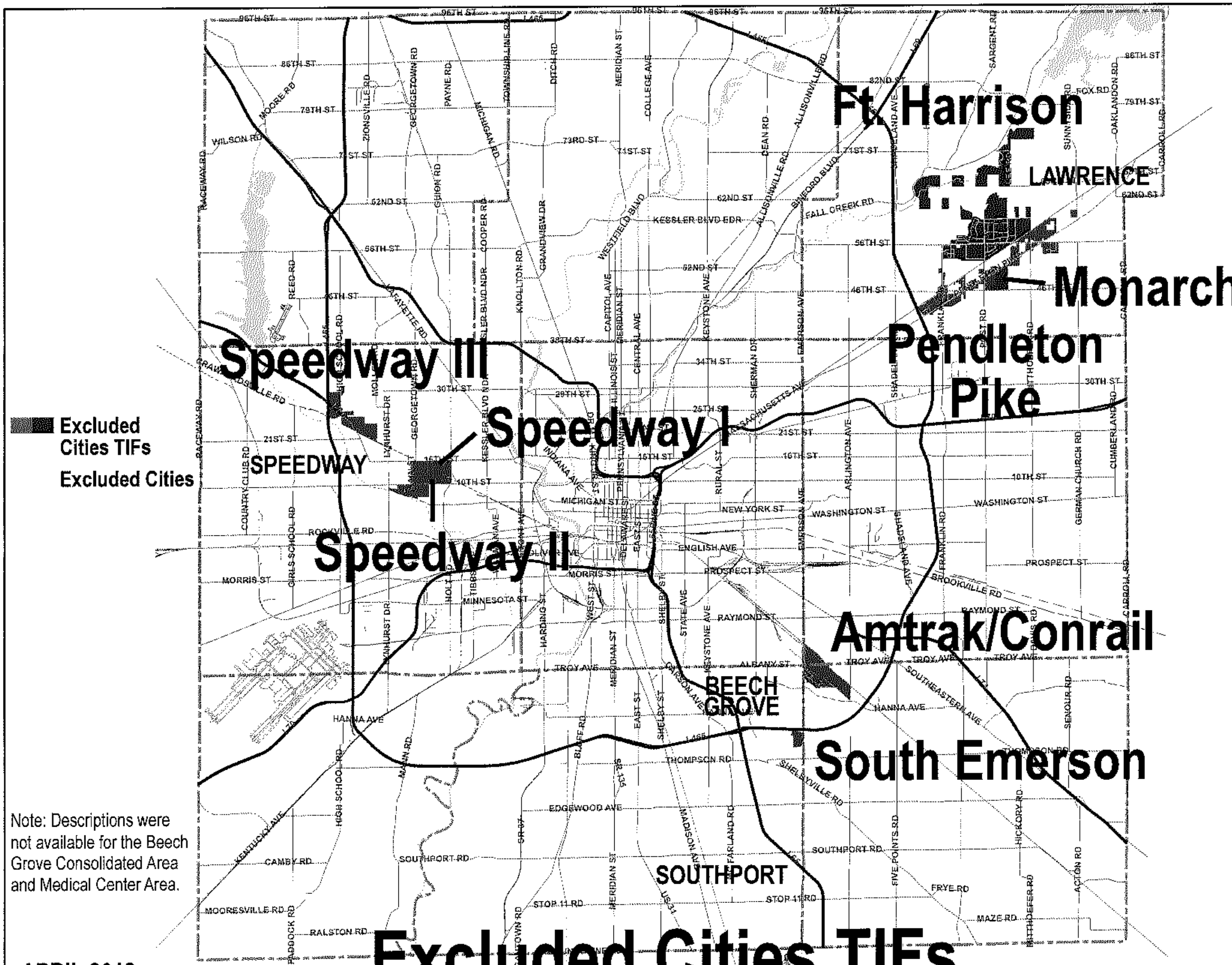

Downtown TIFs
Near North Industrial
NW
W. Washington St.
W. Washington EDA
Union Station
Convention Center Hotel
SE
Consolidated
Lilly PP
CENTER TWP
APRIL 2012


United Facility
Airport
NAWC - Personal Property & Real Property TIFs
Airport TIFs
APRIL 2012


CENTER TWP
Fall Creek HoTIFs
Meridian I, Meridian II & Suppl. Hsg. Program Area
Near East HoTIF
Barrington HoTIF
Housing TIFs
APRIL 2012


Washington 96th St.
Lawrence 96th St.
United Facility
Brookville/ Senour
Inactive/Dormant TIFs
APRIL 2012

Excluded Cities TIFs



Note: Descriptions were not available for the Beech Grove Consolidated Area and Medical Center Area.

APRIL 2012

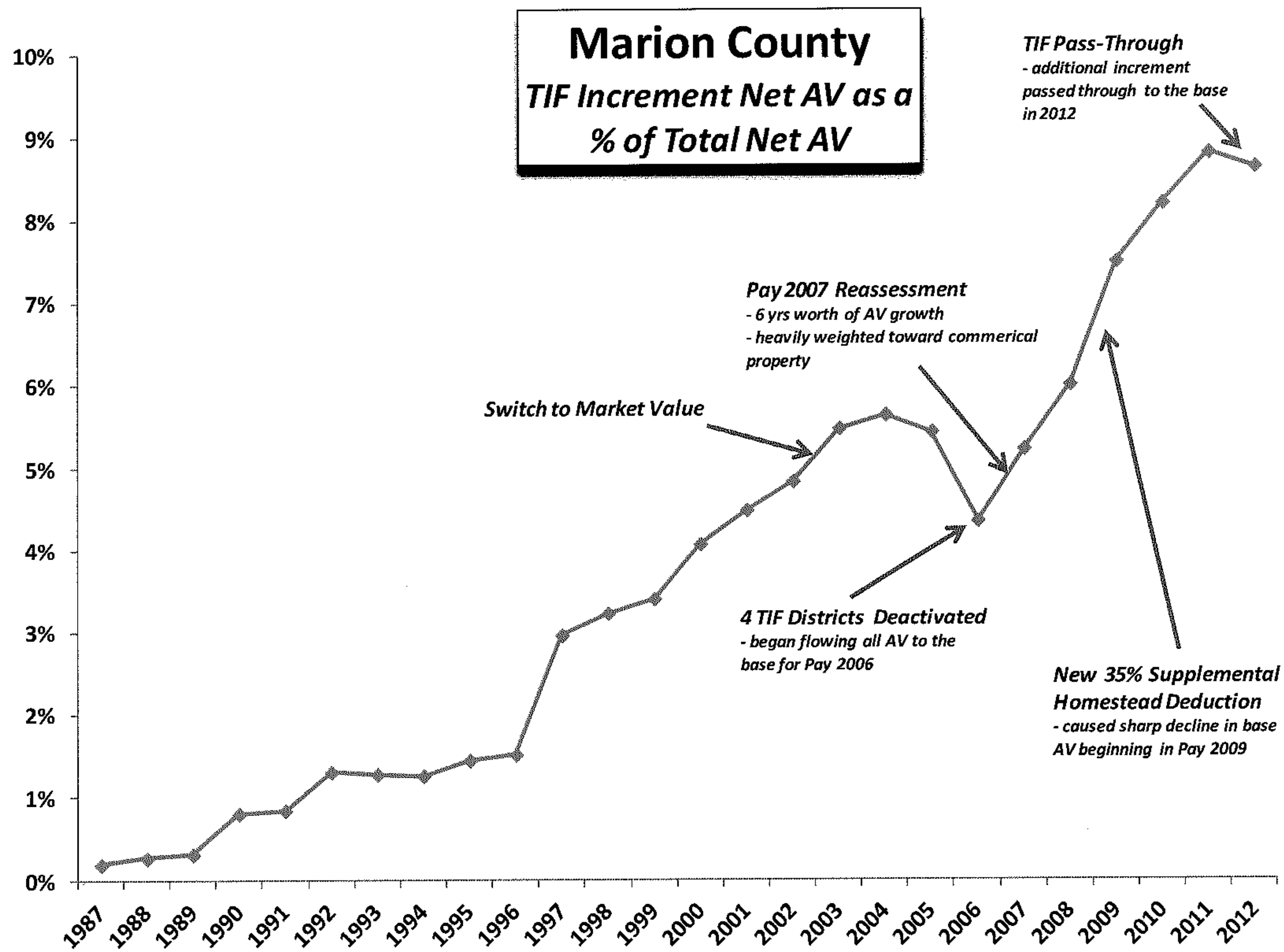
Exhibit D

Financial Impacts of Tax Increment Financing

April 5, 2012

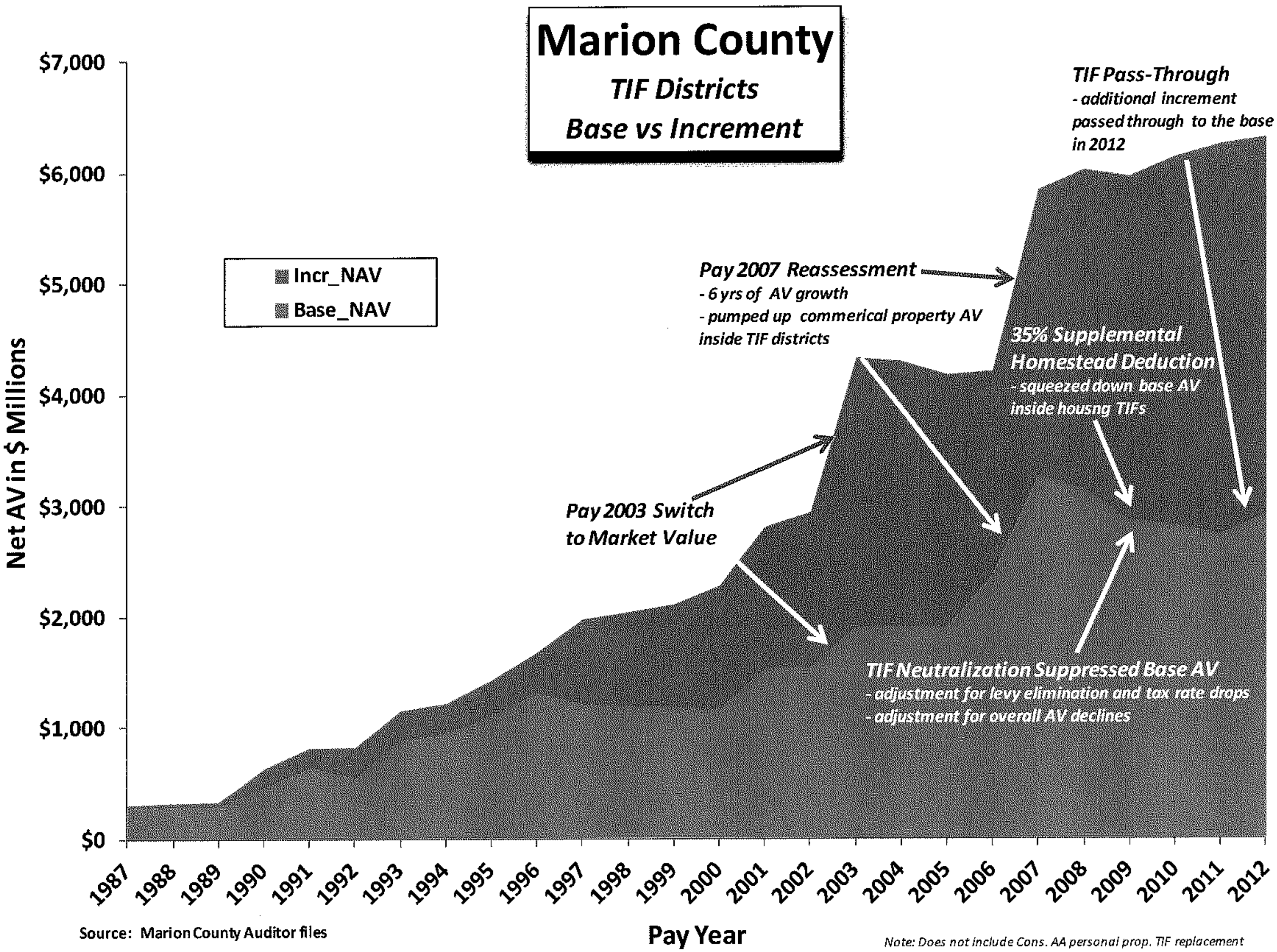
Jason O'Neill, Policy Analytics, LLC

Jeff Spalding, City Controller



Source: Legislative Services Agency, LOGODABA; Marion County Auditor files

Note: Does not include Cons. AA personal prop. TIF replacement



Marion County
TIF Districts
Base vs Increment
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
Net AV in $ Millions
Incr_NAV
Base_NAV
TIF Pass-Through
- additional increment passed through to the base in 2012
Pay 2007 Reassessment
- 6 yrs of AV growth
- pumped up commerical property AV inside TIF districts
35% Supplemental Homestead Deduction
- squeezed down base AV inside housng TIFs
Pay 2003 Switch to Market Value
TIF Neutralization Suppressed Base AV
- adjustment for levy elimination and tax rate drops
- adjustment for overall AV declines
1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012
Pay Year
Source: Marion County Auditor files
Note: Does not include Cons. AA personal prop. TIF replacement

TIF Neutralization

- Required annually by DLGF in accordance with 50 IAC 8-2-12. Procedure is mandated by DLGF.
- Legally required process neutralizes the effect of external factors on the base and the increment.
- TIF neutralization outcomes:
  - Adjust the base assessed value for market value trends (either upward or downward, depending on market conditions).
  - Maintain at least as much incremental revenue in the ensuing year as in the preceding year.
  - Basis for initial debt service coverage projections.

TIF Neutralization (Cont.)

Causes of Base AV Depletion

– Elimination of levies and tax rates due to the State assuming School General and County Welfare levies.

Property Tax Rate Composition for District 101

	2008	**2009**
City-County Functions	1.3767	1.2147
Center Township	0.0510	0.0578
Library, Indygo, Hospital	0.3521	0.3254
Indianapolis Public School	1.7668	1.1569
Total Tax Rate	**3.5466**	**2.7548**

TIF Neutralization (Cont.)

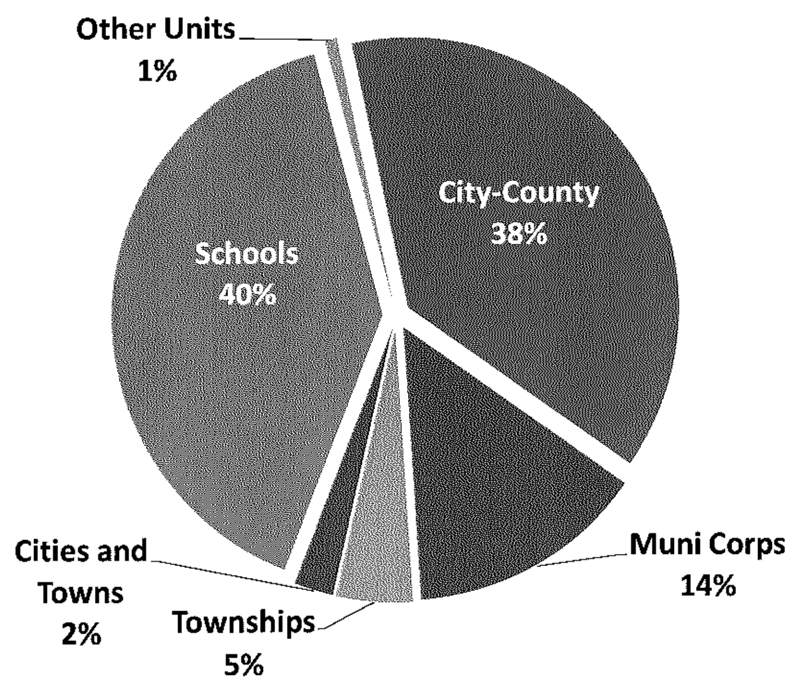
Causes of Base AV Depletion

- Introduction of the supplemental standard deduction reduced net assessed values in housing TIFs.
- Economic downturn had a sustained, negative impact on assessed valuation (both county-wide and within TIF districts).
- Protection for property tax appeals. The 2006-07 special reassessment led to an increased number of property tax appeals.

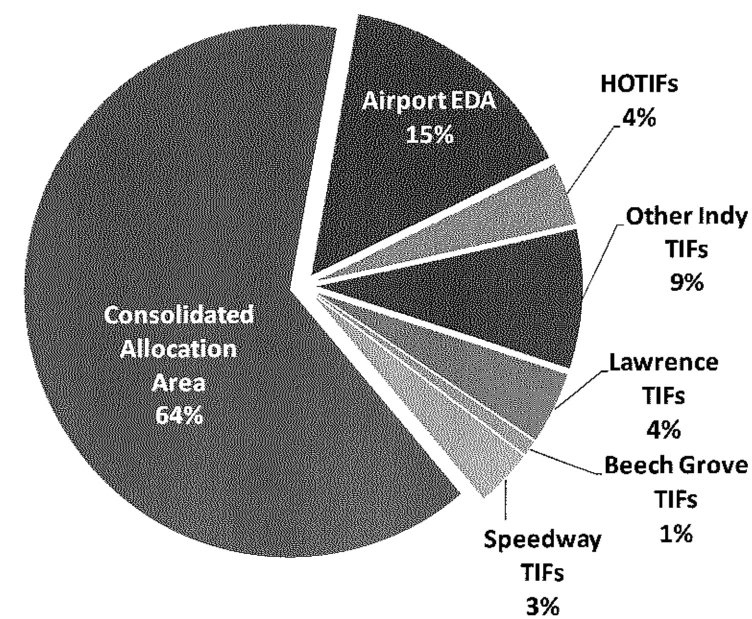
Marion County Property Tax Revenue

Marion County 2012 Property Taxes
$933.5 million (net of CB credit)

Property Tax Revenue to Units
$834.3M (89% of total)

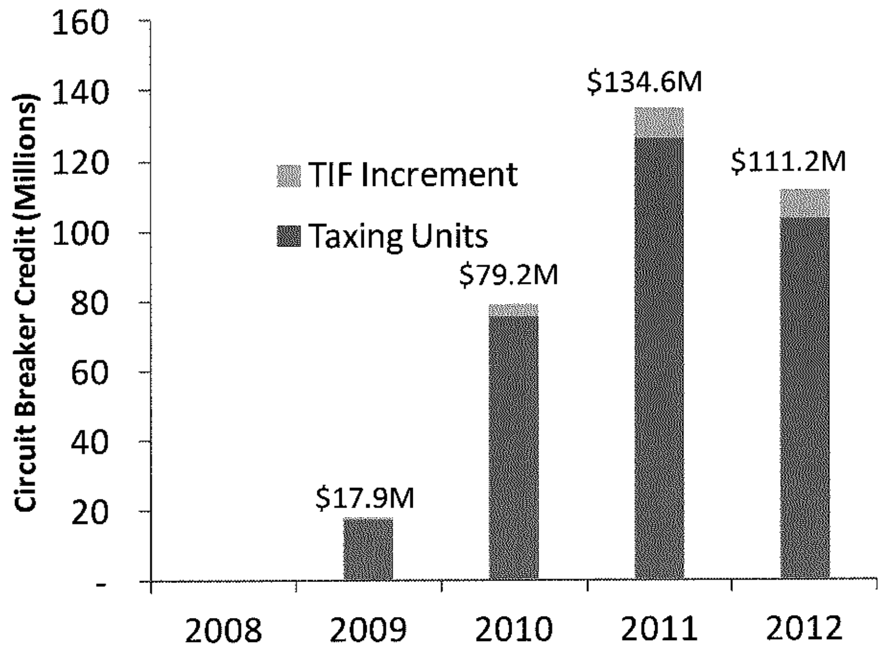


TIF Increment Revenue
$99.2 million (11% of total)

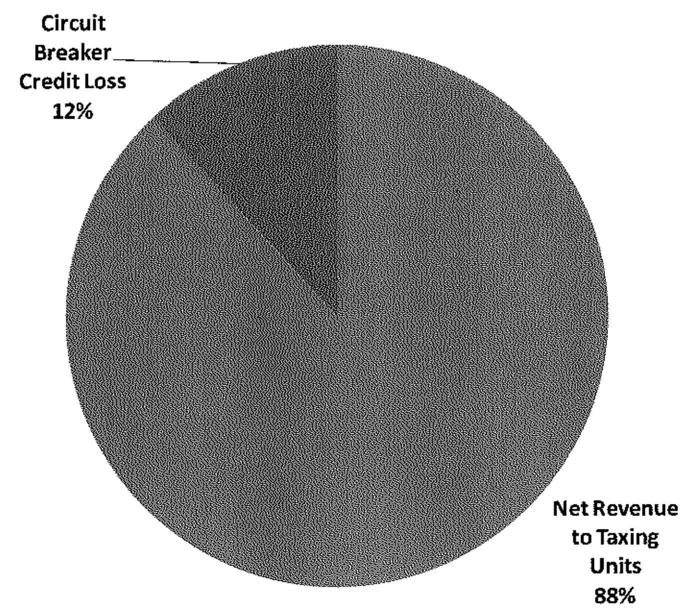


Marion County Circuit Breaker Impact

Marion County Circuit Breaker Credit History



Circuit Breaker Loss as a Percent of 2012 Certified Levy



Impact of Circuit Breaker Credit

on the relationship between TIF districts and taxing units

Pre-Circuit Breaker Credit

- Taxing unit property tax revenue determined by levy controls.
- Maximum levy growth determined by change in Indiana personal income.
- Revenue growth is virtually guaranteed – tax rates adjust to generate revenue necessary to fund levies.
- TIF activity does not largely impact property tax revenue for other taxing units.

Post-Circuit Breaker Credit

- Taxing unit property tax revenue determined by rate controls.
- Levy controlled funds act more like rate controlled funds. Homesteads limited at 1%, other residential at 2%, all other property at 3%.
- Once all parcels reach circuit breaker, revenue growth only occurs through growth in the tax base.
- TIF activity can have negative revenue implications through higher circuit breaker losses.

- 2 conclusions

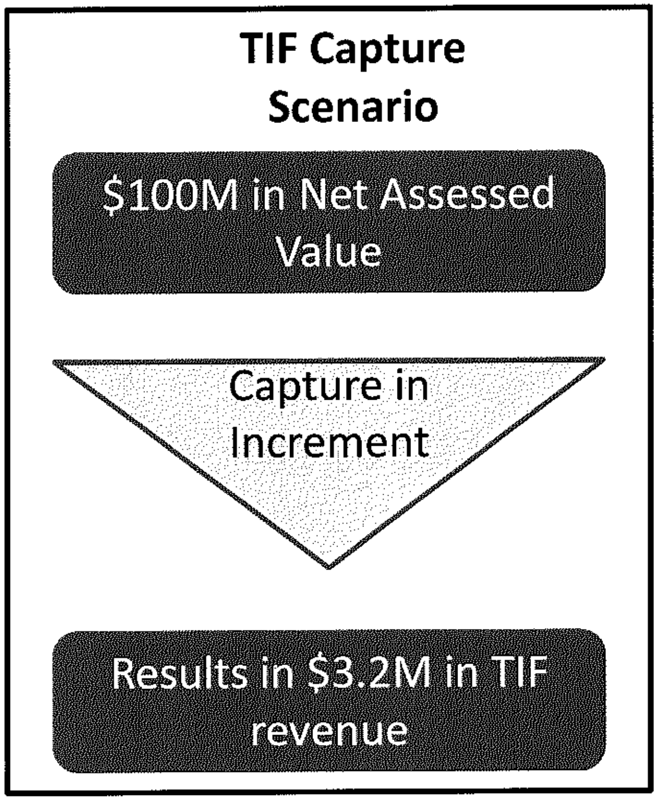
TIF Increment Pass-Through

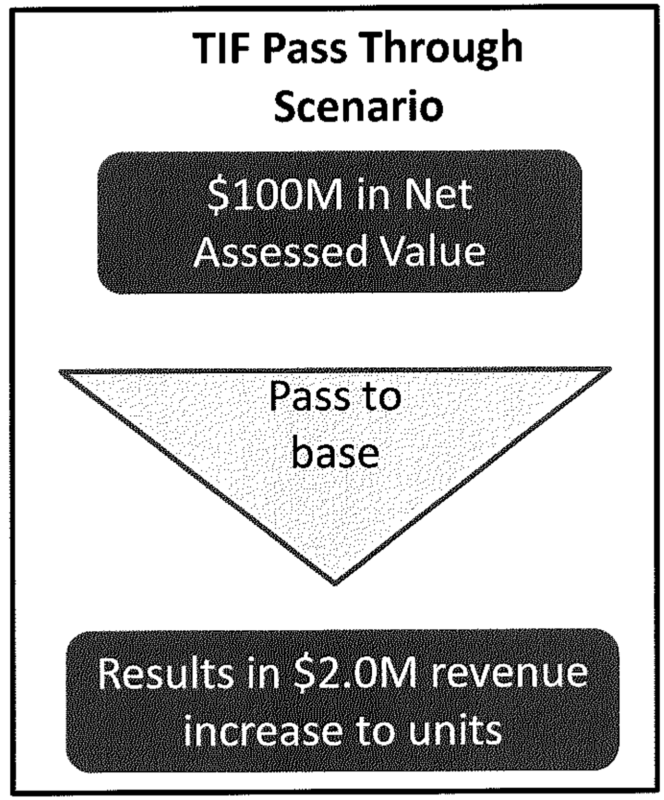
- MDC must make a determination of how much incremental AV is required by July 15^{th} of each year.
- AV pass through for the 2012 tax year (millions):

Consolidated Allocation Area	97.6
Harding Street Redevelopment	55.2
Glendale Redevelopment	15.9
86th St. TIF -Dow Elanco (partially dormant)	273.1
Tibbs Ave TIF - Rolls Royce	8.3
Lawrence 96th St. (dormant)	139.7
Washington 96th St. (dormant)	289.5
Brookville/Senour A.A. (dormant)	17.9
Total 2012 TIF pass-through	**897.4**
Dormant TIF pass-through	*720.2*
Active TIF pass-through	*177.0*

- Decision not to collect Consolidated Allocation Area personal property TIF replacement reverts approximately $350M to the tax base.

TIF Pass Through Impact



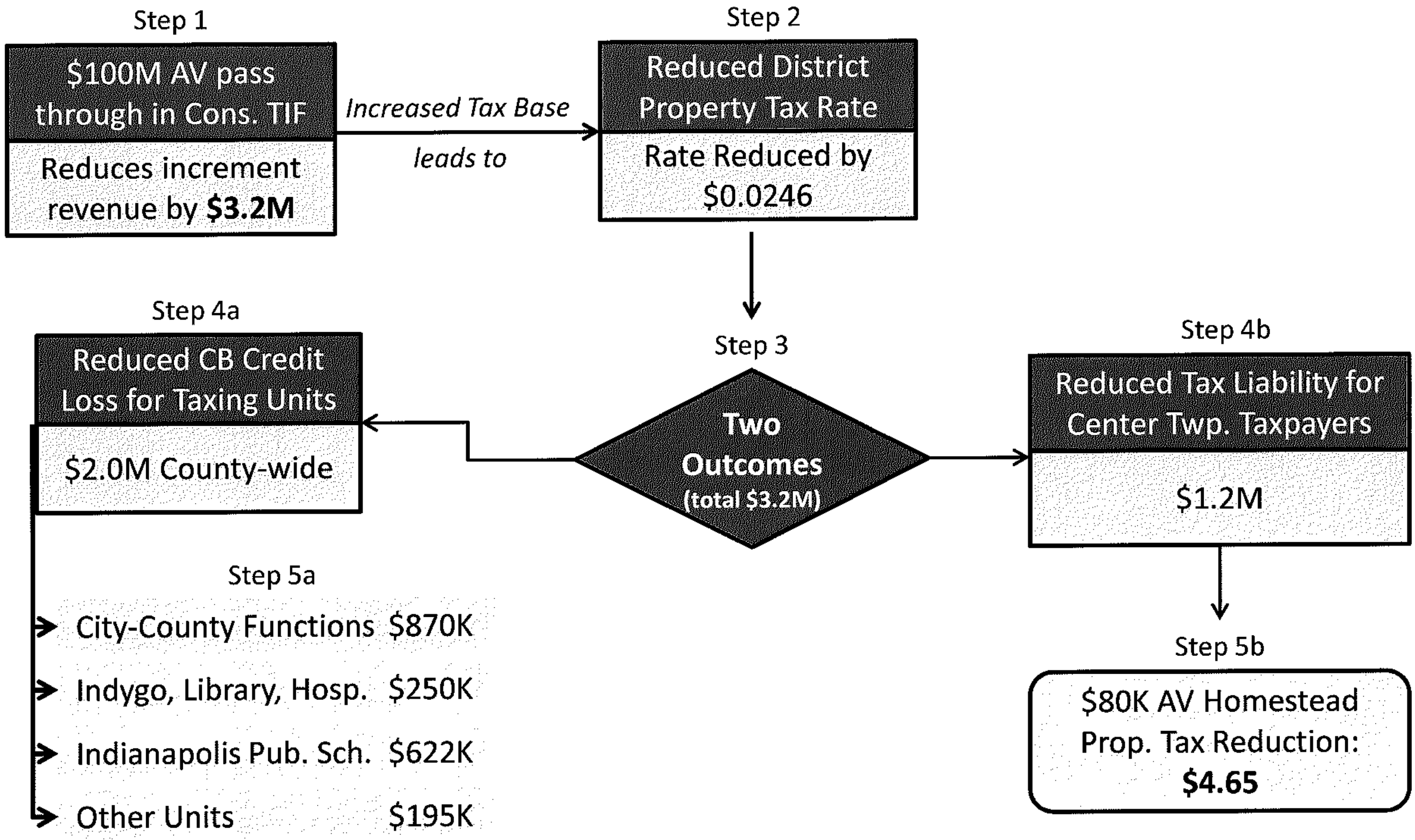


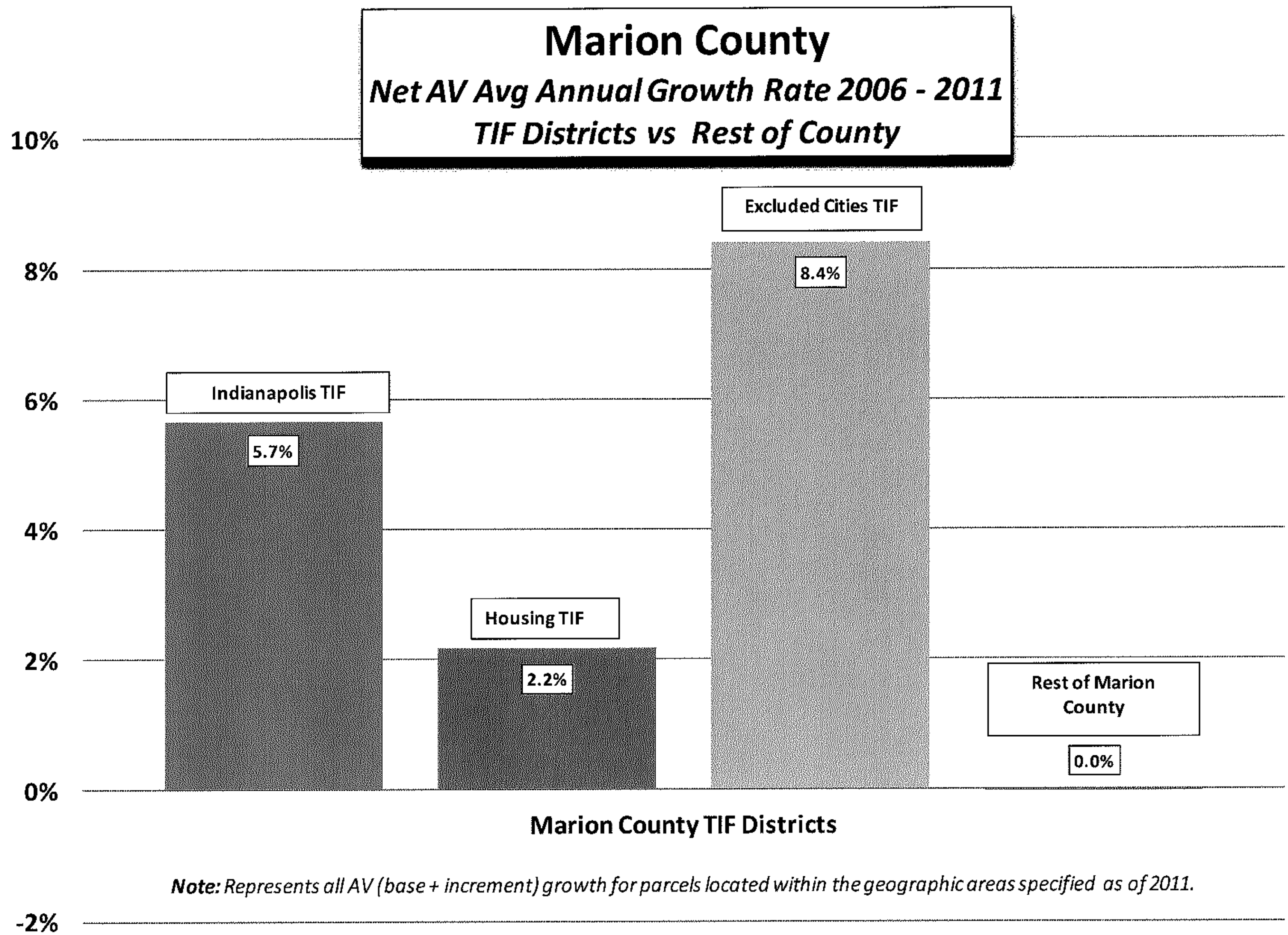
The relationship between circuit breaker relief and increment pass-through is non-linear, and decreases as more AV is released to the base. When $100M of AV is passed through, $3.2M in increment revenue translates to $2.0M in additional property tax revenue to units (63%).

If all TIF increment is passed through, $99M in increment revenue would translate to $43M in additional property tax revenue to units (43%).

TIF Pass Through Simulation

Modeled Using Actual 2012 Data





Marion County
Net AV Avg Annual Growth Rate 2006 - 2011
TIF Districts vs Rest of County
10%
8%
6%
4%
2%
0%
-2%
Indianapolis TIF
5.7%
Housing TIF
2.2%
Excluded Cities TIF
8.4%
Rest of Marion County
0.0%
Marion County TIF Districts
Note: Represents all AV (base + increment) growth for parcels located within the geographic areas specified as of 2011.

Exhibits

- TIF 2012 Summary Worksheet
  - TIF general information
  - Assessed Value
  - Revenue and Debt Service
  - Fund Balances
- TIF Briefing Report
  - Allocation Area Report
  - TIF District Report
  - Satellite Map

Marion County TIF Districts – Overview: Accounting and Reporting Practices and Requirements

Angie Steeno, *Crowe Horwath, LLP*

Jason O'Neill, *Policy Analytics*

Current Accounting and Reporting Practices and Requirements

- Tax Impact Analysis
  - Required by IC 36-7-14-17
  - Purpose - notify taxing units that may be affected by the designation and expansion of an allocation area:
    - Estimated economic benefits and costs (specifically measured by increased employment) and anticipated growth of real property assessed values
    - Anticipated impact on tax revenues of each taxing unit
  - Distributed 10 days prior to a public hearing

Current Accounting and Reporting Practices and Requirements

- **Rate Controls** – Required Reporting
  - Incremental Assessed Valuation multiplied by Controlled Tax Rate = Impact
  - Impact = Opportunity cost/benefit if and when revenue is passed through to the base
- **Levy Controls** – Not Required Reporting
  - Limited on an aggregate basis by a "maximum levy or growth" calculation
  - Average change in Indiana non-farm personal income for each of six years preceding the year in which a budget is adopted.

Current Accounting and Reporting Practices and Requirements

- Circuit Breaker
  - Tax credit at the individual taxpayer level
  - For all property taxes in an amount that exceeds a percentage (%) of the gross assessed value
    - 1% for homestead- eligible property
    - 2% for other residential real property (generally, apartments and rental homes), long-term care facilities, and agricultural land
    - 3% for all other real and personal property
- Reduction of property tax collections for taxing unit which the Circuit Breaker Tax Credit is applied

Current Accounting and Reporting Practices and Requirements

- Impact on Levy Controlled Fund = Limited indirect effect on the capability to raise required property tax revenues to the extent that growth in property assessed values are limited, resulting in individual property tax rates which exceed the property tax caps.

- Comprehensive Impact
  - Looks at impact at both Rate Controlled and Levy Controlled Fund levels.

Reporting of Potential Base Value of Proposed AV Increment Capture

(modeled using 2012 data)

Assumption: $100M in new investment is proposed to be captured in a TIF allocation area

	County-wide Impact
Impact 1: Potential revenue for rate-controlled funds *Statutorily required to be reported to all affected units*	$455,900
Impact 2: Potential circuit breaker relief for taxing units (all funds) *Not required to be reported*	$1,529,600
Total Impact	$1,985,500

Current Accounting and Reporting Practices and Requirements

- IC 36-7-15.1-36.3 - Effective JULY 1, 2012
  - Prior to this, there was <u>no</u> accounting requirement

- Within 30 days after the close of each calendar year
  - Commission files report with Mayor's office
  - Names of the then qualified and acting commissioners
  - Names of the officers of that body
  - Number of regular employees and their fixed salaries or compensation
  - Amount of the expenditures made during the preceding year and their general purpose

Current Accounting and Reporting Practices and Requirements

  - An accounting of the Tax Increment Financing (TIF) Revenues expended by any entity receiving TIF Revenues as a grant or loan from the commission
  - Amount of funds on hand at the close of the calendar year
  - Other information necessary to disclose the activities of the commission and the results obtained.

- A copy of each report filed under this section must be submitted to the DLGF in an electronic format under IC 5-14-6.